March 19, 2004

Communications Division
Public Information Room
Mailstop 1-5
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219
Re: Docket No. 04-06
Fax: (202) 874–4448
comments@fdic.gov

Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, DC 20429

Re: 12 CFR Part 345

Fax: (202) 898–3838
regs.comments@occ.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 200551
Re: Docket No. R-1181
Fax to the Office of the Secretary at
(202) 452–3819 or (202) 452–3102
regs.comments@federalreserve.gov

RE: Proposed Revisions to the Community Reinvestment Act Regulations

Good Morning:

The Oklahoma Bankers Association represents 272 member banks – virtually every commercial bank in our state – and, on behalf of our Board of Directors, we enthusiastically support the proposal to increase the "Small Bank Threshold" for CRA examination purposes from $250 Million to $500 Million This proposal will dramatically and directly impact seven member banks that are "community" banks in the most literal sense of that term, and will significantly reduce the regulatory red tape with which these institutions must currently comply.

We believe that the "Small Bank Threshold" helps the Community Reinvestment Act better achieve its original purpose: to enable examiners to determine realistically whether a bank is helping to meet its community's credit needs by reviewing its loan portfolio and without requiring an "investment" of some sort, and we salute you for making this proposal a possibility. It is something that the banking industry has supported for some time and should help reduce some of the mindless data-reporting requirements that consume large amounts of time, energy and money – all of which are in short supply at most of our smaller community banks.

The original act created a simple, understandable assessment test of the bank's record of providing credit in its community: the test considers the institution's loan-to-deposit ratio; the percentage of loans in its assessment areas; its record of lending to borrowers of different income levels and businesses and farms of different sizes; the geographic distribution of its loans; and its record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment areas. While it's true that most "community" bankers in our state thought it unnecessary, it was – in its original form – a "no brainer".

Since then, the red tape requirements for smaller banks have grown larger, including massive new reporting requirements under HMDA, the USA Patriot Act and the privacy provisions of the Gramm-Leach-Bliley Act. And the CRA is but one of some 129 different regulations with which smaller banks struggle to keep up on a daily basis.

Importantly from our perspective, however, is the fact that the nature of community banks has not changed since the CRA was originally adopted, even though the red tape requirements have changed dramatically. "Large bank exam" standards mean more staff, more costs, more documentation and more red tape on things that they must do anyway, every day, in order to survive in this part of the country.

Stated simply, if community banks – regardless of their size – don't take care of their communities and their customers, the bankers who run them don't eat. That basic fact seems to have gotten lost over the course of time, and it's refreshing to see that this proposal has finally been put o the table for discussion.

Oklahoma's banking community consists of smaller community banks. There are approximately 210 banks in our state that are less that $100 Million in total assets, for example. But at their core, the banks in our state are fairly simple operations: they take deposits and make loans. Their business activities are usually focused on small, defined geographic areas where the bank is known in the community. The small institution examination accurately captures the information necessary for examiners to assess whether a community bank is helping to meet the credit needs of its community, and nothing more is required to satisfy the Act.

Even though only seven banks would be directly affected by this proposal in our state, raising the asset threshold to $500 million and eliminating the holding company limitation would retain the percentage of industry assets subject to the large retail institution test. It would decline only slightly, from a little more than 90% to a little less than 90%. That decline, though slight, would more closely align the current distribution of assets between small and large banks with the distribution that was anticipated when the Agencies adopted the definition of "small institution." Thus, in revising the CRA regulation, the proposal really preserves the *status quo* of the regulation, which has been altered by a drastic decline in the number of banks, inflation and an enormous increase in the size of large banks.

In a perfect world, we would encourage you to provide greater relief to community banks than just preserve the *status quo* of this regulation. In fact, we would encourage you to increase this threshold to $1 Billion which would "only" impact another six banks in our state.

Raising the limit to $1 billion is appropriate for two reasons. First, keeping the focus of small institutions on lending, which the small institution examination does, would be entirely consistent with the purpose of the Community Reinvestment Act: to ensure that the Agencies evaluate how banks help meet the credit needs of the communities they serve.

Second, raising the limit to $1 billion will have only a small effect on the amount of total industry assets covered under the more comprehensive large bank test. According to the Agencies' own findings, raising the limit from $250 to $500 million would reduce total industry assets covered by the large bank test by less than one percent. According to December 31, 2003, Call Report data, raising the limit to $1 billion will reduce the amount of assets subject to the much more burdensome large institution test by only 4% (to about 85%).

As minimal as these changes are, the result for the 13 Oklahoma banks that would be directly affected by such a change would be significant. The red tape compliance costs would be significantly reduced, which means the banks would have more resources they can devote to accomplishing the original intent of the Act itself: making loans to support the communities served by the affected institutions.

Accordingly, we urge the Agencies to raise the limit to at least $1 billion. Such a move would provide significant regulatory relief without diminishing in any way the obligation of all insured depository institutions to meet the credit needs of their communities. And while we're at it, this same rule should also apply to tax-subsidized credit unions as well.

Thanks for your consideration.

Sincerely,